

March 23, 2020

Paul Farrow, County Executive
Andrew Thelke, Administration Director
Waukesha County

Kevin Lahner, City Administrator, JRB City
Member

Mike Payne, JRB Public Member

Kaylen Betzig, President
Jane Kittel, Finance V.P.
Waukesha County Area Technical College District

Todd Gray, Superintendent
c/o Board of Education
Waukesha School District

RE: City of Waukesha Proposed Tax Incremental District No. 27 Creation

On behalf of the City of Waukesha, this letter is **to confirm the meeting of the Joint Review Board (“JRB”) will be held on March 31, 2020 at 4:00 p.m. at the Waukesha City Hall, Room 207, located at 201 Delafield Street (due to construction please use the upper level parking lot and doors off Buena Vista Avenue).** The purpose of this meeting is for the JRB to consider approval of the resolution adopted by the Waukesha Common Council creating Tax Increment District No. 27 (the “District”), and approving its Project Plan.

To assist the JRB in its deliberation, the Plan Commission resolution and the Common Council resolution, along with the Project Plan, constitute the public record in this matter. Signed copies of the resolutions, as well as the minutes from the organizational JRB meeting, will be distributed to you at the meeting.

Enclosed is a copy of the legal notice published for this meeting, an agenda for this meeting, as well as a proposed resolution for consideration by the JRB. In addition, you will find enclosed a copy of the final Project Plan document.

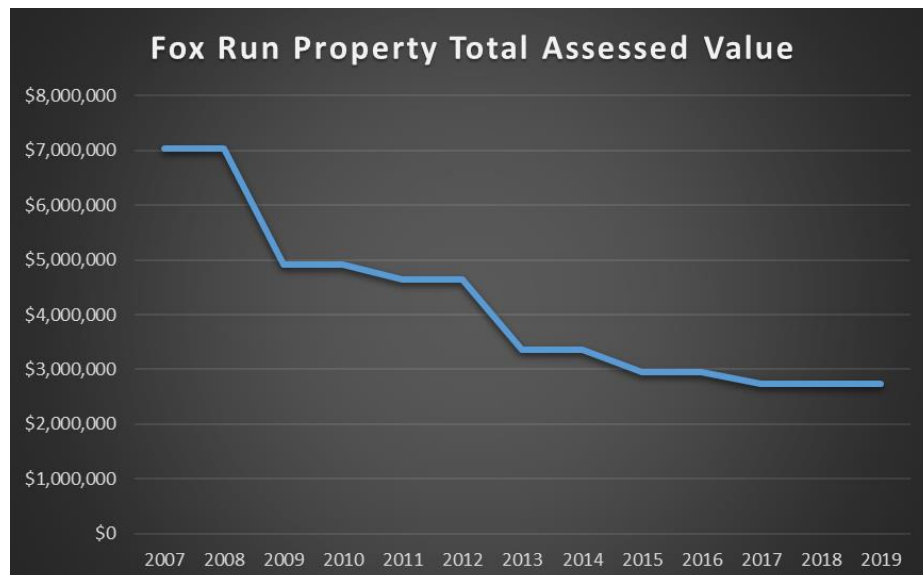
In considering whether to approve its Resolution creating the District, the JRB, as required by Section 66.1105(4m)(c), Wisconsin Statutes, is to consider the following:

- A. Whether the development expected in the Tax Incremental District would occur without the use of tax incremental financing;
- B. Whether the economic benefits of the Tax Incremental District, as measured by increased employment, business and personal income and property value, are sufficient to compensate for the cost of the improvements;
- C. Whether the benefits of the proposal outweigh the anticipated tax increments to be paid by the owners of property in the overlying taxing jurisdictions.

To assist the Board in its analysis of the enclosed information, we are providing the following brief narrative as it relates to each of the criteria outlined above.

1. **That “but for” the creation of this District, the development projected to occur as detailed in this Project Plan: 1) would not occur; or 2) would not occur in the manner, at the values, or within the timeframe desired by the City.** In making this determination, the City has considered the following information:

- The City has conducted an independent review of the intended developer’s sources and uses proforma for the initial proposed redevelopment project. This review has concluded that a public investment of approximately \$3,700,000 is required to enable the development to occur in the manner desired by the City, while providing the developer a fair and reasonable return on their investment.
- Some of the sites proposed for redevelopment have remained vacant for several years despite being available for lease and/or sale. Tenants began leaving the Fox Run Shopping Center in the mid-2000’s with the loss of Banner Crafts and several smaller tenants. Larger tenants followed suit with Sentry Liquor closing in 2010, True Value Hardware in 2011, and the stand-alone Denny’s Restaurant in 2016. None of the spaces were ever reoccupied after these businesses left and remain vacant to date. Contributing to the vacancies is the blighted condition of both the buildings and site infrastructure, including driveways and parking areas. The property where the Fox Run Shopping Center is located went into foreclosure in 2014 which concluded in 2015, and the property was in receivership until 2016. The property was sold in 2016 to its current owner. In addition, the property has steadily declined in value since 2009 as demonstrated in the chart below. Given that the sites have not developed as would have been expected under normal market conditions, it is the judgment of the City that the use of Tax Incremental Financing (“TIF”) will be required to provide the necessary infrastructure and inducements to encourage development on the sites consistent with that desired by the City.



- In order to make the areas included within the District suitable for development and redevelopment, the City will need to make a substantial investment to pay for the costs of: a water reservoir abandonment and pedestrian improvements to the proposed redevelopment site. Due to the extensive initial investment in public infrastructure and/or rehabilitation that is required in order to allow development and/or redevelopment to occur, the City has determined that development and redevelopment of the area will not occur solely as a result of private investment. Accordingly, the City finds that absent the use of TIF, development and redevelopment of the area is unlikely to occur.
2. **The economic benefits of the Tax Incremental District, as measured by increased employment, business and personal income, and property value, are sufficient to compensate for the cost of the improvements.** In making this determination, the City has considered the following information:
- As demonstrated in the Economic Feasibility Section of this Project Plan, the tax increments projected to be collected are more than sufficient to pay for the proposed project costs. On this basis alone, the finding is supported.
 - The development expected to occur within the District would create approximately 72 residential units, providing housing opportunities for workers.
 - The medical office development expected to occur within the District would create a minimum of 60 new jobs within the City.
3. **The benefits of the proposal outweigh the anticipated tax increments to be paid by the owners of property in the overlying taxing jurisdictions.**
- If approved, the District's creation would become effective for valuation purposes as of January 1, 2020. As of this date, the values of all existing development would be frozen and the property taxes collected on this base value would continue to be distributed amongst the various taxing entities as they currently are now. Taxes levied on any additional value established within the District due to new construction, renovation or appreciation of property values occurring after January 1, 2020 would be collected by the TID and used to repay the costs of TIF-eligible projects undertaken within the District.
 - Since the development expected to occur is unlikely to take place or in the same manner without the use of TIF (see Finding #1) and since the District will generate economic benefits that are more than sufficient to compensate for the cost of the improvements (see Finding #2), the City reasonably concludes that the overall benefits of the District outweigh the anticipated tax increments to be paid by the owners of property in the overlying taxing jurisdictions. It is further concluded that since the "but for" test is satisfied, there would, in fact, be no foregone tax increments to be paid in the event the District is not created. As required by Section 66.1105(4)(i)4., a calculation of the share of projected tax increments estimated to be paid by the owners of property in the overlying taxing jurisdictions has been made and can be found in Appendix A of the Project Plan.

CONCLUSION

Based on the information contained in the Project Plan, the findings of the Plan Commission and the Common Council as provided for in their respective resolutions, the City therefore respectfully requests favorable consideration by the JRB.

Sincerely,

EHLERS & ASSOCIATES, INC.



Jon Cameron, CIPMA
Municipal Advisor

cc: Mayor Shawn Reilly
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